



Wise Financial Thinking for Life

## **Sagicor Life Jamaica Limited**

Report to Stockholders  
for the year ended  
December 31, 2008

**REPORT TO STOCKHOLDERS**

On behalf of the Board of Directors, we are pleased to present the audited Financial Statements for the year ended December 31, 2008.

2008 was a successful year for Sagicor Life Jamaica Limited marked by a number of significant achievements including:

- ✓ Acquisition of the insurance business of Blue Cross of Jamaica Ltd
- ✓ Launch of our single premium annuity and health insurance products
- ✓ Launch of the commercial bank PanCaribbeanBank
- ✓ Rebranding from Life of Jamaica to Sagicor Life Jamaica
- ✓ Winning the Governor General's Award for Corporate Governance

Despite the turbulent financial markets in the second half of 2008 the Sagicor Life Jamaica Group's net profit attributable to Stockholders was \$3,928 million for the year, a 33% improvement over the results for 2007. This outcome represents earnings per share of \$1.05, up from 79 cents in 2007. There are components of this profit that we do not believe are sustainable, notably the positive impact of rising interest rates on insurance and annuity reserves and the very large single premium sales during the year under review.

Stockholders' equity of \$15,544 million increased only marginally as a consequence of the unprecedented diminution in securities and equities values. In particular, there were declines in the fair value of long-term GOJ securities caused by rising interest rates. Sagicor Life Jamaica also declared dividends to Stockholders of \$1,650 million or 44 cents per share (2007 - \$1,124 million or 30 cents per share). The return on opening stockholders' equity was 25% compared to 21% in 2007.

At December 31, 2008 Sagicor Life Jamaica Limited had a MCCR of 151%, considerably in excess of the 135% required by the Insurance Regulations. In 2008 our 'A' Excellent rating from A.M. Best was reaffirmed and in January 2009, our CariCris rating of jmAAA on the Jamaica National Scale was also reaffirmed.

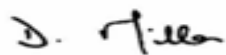
Consolidated revenues for the year of \$28,259 million were 67% more than the 2007 amount. This level of growth resulted from the generation of significant single premium annuities and Health business during the year. Excluding this business, revenue growth would have been about 20%.

Commensurate with the growth in business, the Sagicor Life Jamaica Group paid out record benefits to policyholders and plan members in 2008 amounting to \$8,763 million compared to \$5,461 million in 2007. These benefits include death claims of \$1,309 million, health insurance claims of \$3,643 million, annuity payments of \$918 million, surrenders and withdrawals of \$714 million and property and casualty claims of \$1,910 million.

At \$4,940 million, Administration expenses were up 18% from \$3,828 million in the prior year. The ratio of Administration expenses to total revenue moved up to 24% (excluding the single premium business) as compared to 23% for 2007. The 2008 costs include salary increases influenced by the significantly higher rate of inflation as well as increased expenses in the subsidiary, Pan Caribbean Financial Services, relating to set up of the commercial banking operations.

The overriding objective of the Board and management of Sagicor Life Jamaica Group, in the face of the challenges of the global financial crisis, is the preservation of value for our shareholders and customers. This requires us to redouble our efforts to prudently manage financial risks, to ensure we retain sufficient liquidity to meet our customers' requirements and keep our operating expenses in line with revenues. We are under no illusion as to the severity of the global crisis and while we hope for a quick recovery, we are prepared for a sustained period of recession.

On behalf of the Board of Directors:



Dodridge Miller  
Chairman  
February 26, 2009



Richard Byles  
President and CEO

**Consolidated Balance Sheet**  
**as at December 31, 2008**  
**(Expressed in thousands of Jamaican dollars)**

	<b>December 2008 Audited</b>	<b>December 2007 Audited</b>
<b>ASSETS:</b>		
Cash resources	3,583,864	1,910,661
Financial investments	75,388,343	59,010,084
Securities purchased under resale agreements	4,448,058	1,103,790
Investment properties	326,175	264,084
Derivative financial instruments	2,975,306	0
Investment in associated company	2,725	2,725
Loans & leases, after allowance for credit losses	8,446,692	7,167,243
Taxation recoverable	700,333	565,824
Cash reserve at Bank of Jamaica	182,062	95,848
Reinsurance contracts	2,574,249	1,341,326
Other assets	4,665,384	3,035,488
Property, plant and equipment	1,821,064	1,230,028
Deferred income taxes	636,485	46,422
Intangible assets	5,291,788	4,984,967
Retirement benefit assets	206,190	49,544
Segregated funds' assets	6,560,697	6,261,696
	<b><u>117,809,415</u></b>	<b><u>87,069,730</u></b>

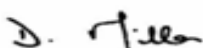
**STOCKHOLDERS' EQUITY AND LIABILITIES:**

**Stockholders' Equity**

Share capital	7,796,463	7,779,665
Capital reserve	2,675	2,675
Stock options reserve	61,299	43,969
Investment and fair value reserves	(2,669,759)	(2,292)
Currency translation reserve	926,712	534,669
Other reserves	388,831	148,688
Retained earnings	9,037,599	6,999,651
	15,543,820	15,507,025
<b>Minority Interest</b>	<b>4,045,061</b>	<b>4,396,953</b>
	<b><u>19,588,881</u></b>	<b><u>19,903,978</u></b>

**Liabilities**

Securities sold under repurchase agreements	39,957,153	34,020,502
Due to banks and other Financial Institutions	5,888,277	3,726,085
Customer deposits	7,419,989	5,402,101
Structured products	1,087,540	0
Derivative financial instruments	2,703,316	0
Redeemable Preference Shares	1,271,190	0
Other liabilities	3,582,097	2,492,519
Taxation payable	153,763	107,400
Deferred income taxes	418,647	216,139
Retirement benefit obligations	430,422	308,447
Policyholders' Funds		
Segregated funds' liabilities	6,560,697	6,261,696
Insurance contracts liabilities	15,418,023	6,291,051
Investment contracts liabilities	8,891,676	5,335,448
Other policy liabilities	4,419,744	3,004,364
	35,290,140	20,892,559
	<b><u>117,791,415</u></b>	<b><u>87,069,730</u></b>



Dodridge Miller  
Chairman  
February 26, 2009



Richard Byles  
President and CEO

**Consolidated Statement of Operations  
for the year ended December 31, 2008  
(Expressed in thousands of Jamaican dollars)**

	<b>December 2008 Audited</b>	<b>December 2007 Audited</b>
<b>Revenues:</b>		
Gross premium revenue	22,713,108	13,757,897
Reinsurance premiums ceded	(2,443,563)	(2,669,850)
Net premium revenue	20,269,545	11,088,047
Net investment income	5,511,251	4,134,395
Fees, commissions and other revenues	2,478,141	1,741,499
<b>Total revenue</b>	<b>28,258,937</b>	<b>16,963,941</b>
<b>Benefits and expenses:</b>		
Insurance benefits incurred	8,762,723	5,460,589
Insurance benefits reinsured	(1,848,464)	(183,009)
Net Insurance benefits incurred	6,914,259	5,277,580
Changes in insurance and annuity liabilities	8,282,542	982,394
Administration expenses	4,940,249	3,827,852
Commissions and related expenses	2,227,600	2,031,833
Amortization of intangible assets	282,819	504,022
Finance cost	29,190	27,734
<b>Total benefits and expenses</b>	<b>22,676,659</b>	<b>12,651,415</b>
<b>Profit before taxation</b>	<b>5,582,278</b>	<b>4,312,526</b>
Taxation	(1,040,027)	(891,442)
<b>Profit after taxation</b>	<b>4,542,251</b>	<b>3,421,084</b>
<b>Net profit attributable to:</b>		
Stockholders of the company	3,928,094	2,956,775
Minority interest	614,157	464,309
<b>Net profit for period</b>	<b>4,542,251</b>	<b>3,421,084</b>
<b>Earnings per share for profit attributable to stockholders:</b>		
- Basic	\$1.05	\$0.79
- Fully diluted	\$1.05	\$0.79

**Consolidated Statement of Changes in Stockholders' Equity**

for the year ended December 31, 2008

(Expressed in thousands of Jamaican dollars)

	Share Capital	Investment & Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
<b>Year ended December 31, 2007:</b>							
Balance as at January 1, 2007	7,651,537	987,213	461,123	134,435	5,177,479	4,586,380	18,998,167
Unrealised gains on revaluation of owner-occupied properties	0	173,267	0	0	0	0	173,267
Currency translation differences	0	2,987	73,546	0	0	31,303	107,836
Unrealised losses on available-for-sale securities	0	(750,574)	0	0	0	(52,443)	(803,017)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	0	(376,501)	0	0	0	(160,286)	(536,787)
Net gains/(losses) not recognised in the statement of operations	0	(950,821)	73,546	0	0	(181,426)	(1,058,701)
Net profit					2,956,775	464,309	3,421,084
Total income/(expense) recognised for 2007	0	(950,821)	73,546	0	2,956,775	282,883	2,362,383
Transfer to special investment reserve	0	0	0	39,468	(39,468)	0	0
Transfer to retained earnings	0	(38,684)	0	0	38,684	0	0
Adjustment between regulatory loan provisioning and IFRS	0	0	0	10,237	(10,237)	0	0
Transfer to retained earning reserves	0	0		(91)		91	0
Employee share option scheme - value of services provided	0	0	0	23,746	0	4,627	28,373
Employee share options exercised	24,928	0	0	(12,463)	0		12,465
Disposal of equity interest by the Minority Interest	0	0	0		0	(256,498)	(256,498)
Issue of shares	103,200	0	0		0	49,423	152,623
Dividend paid to minorities	0	0	0	0	0	(269,953)	(269,953)
Dividends paid to shareholders	0	0	0	0	(1,123,582)	0	(1,123,582)
<b>Balance as at December 31, 2007</b>	<b>7,779,665</b>	<b>(2,292)</b>	<b>534,669</b>	<b>195,332</b>	<b>6,999,651</b>	<b>4,396,953</b>	<b>19,903,978</b>
<b>Period ended December 31, 2008:</b>							
Balance as at January 1, 2008	7,779,665	(2,292)	534,669	195,332	6,999,651	4,396,953	19,903,978
Unrealised gains on revaluation of owner-occupied properties	0	112,698	0	0	0	0	112,698
Currency translation differences	0	899	392,043			53,735	446,677
Unrealised losses on available-for-sale securities	0	(2,707,200)	0	0	0	(468,663)	(3,175,863)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	0	(73,864)	0	0	0	(117,420)	(191,284)
Net gains/(losses) not recognised in the statement of operations	0	(2,667,467)	392,043	0	0	(532,348)	(2,807,772)
Net profit	0				3,928,094	614,157	4,542,251
Total income/(expense) recognised for 2008	0	(2,667,467)	392,043	0	3,928,094	81,809	1,734,479
Transfer to retained earnings reserve	0	0	0	203,692	(203,692)		0
Transfer to special investment reserve	0	0	0	29,179	(29,179)	0	0
Adjustment between regulatory loan provisioning and IFRS	0	0	0	7,272	(7,272)	0	0
Employee share option scheme - value of services provided	0	0	0	25,729	0	3,479	29,208
Disposal of equity interest by the Minority Interest	0	0	0		0	(107,244)	(107,244)
Employee share options exercised	16,798	0	0	(8,399)	0	0	8,399
Dividend paid to minorities	0	0	0	0	0	(329,936)	(329,936)
Dividends paid to shareholders	0	0	0	0	(1,650,003)	0	(1,650,003)
<b>Balance as at December 31, 2008</b>	<b>7,796,463</b>	<b>(2,669,759)</b>	<b>926,712</b>	<b>452,805</b>	<b>9,037,599</b>	<b>4,045,061</b>	<b>19,588,881</b>

**Consolidated Statement of Cash Flows**  
**for the period ended December 31, 2008**  
**(Expressed in thousands of Jamaican dollars)**

	<b>December 2008 Audited</b>	<b>December 2007 Audited</b>
<b>Cash Flows from operating activities:</b>		
Net profit	4,542,251	3,421,084
Items not affecting cash	9,876,965	946,435
Changes in operating assets and liabilities	(7,817,785)	(6,228,402)
Interest received	8,236,560	7,044,207
Interest paid	(4,854,181)	(4,159,805)
Income taxes paid	(586,579)	(930,390)
<b>Cash generated from operating activities</b>	<b>9,397,231</b>	<b>93,129</b>
<b>Cash Flows from investing activities:</b>		
Acquisitions, net of cash acquired	(1,668,350)	(277,094)
Property, plant and equipment, net	(221,796)	(150,697)
Intangible assets, net	(118,611)	(61,396)
<b>Cash used in investing activities</b>	<b>(2,008,757)</b>	<b>(489,187)</b>
<b>Cash Flows from financing activities:</b>		
Dividends paid to stockholders	(1,638,603)	(1,116,543)
Dividend paid to minority interest	(314,420)	(269,953)
Ordinary shares issued	16,798	128,128
Shares issued to minority interest	4,892	0
Preference shares issued	1,264,324	0
Proceeds from loans, net	(356,515)	(348,434)
<b>Cash provided by/(used in) financing activities</b>	<b>(1,023,524)</b>	<b>(1,606,802)</b>
Effects of exchange rate changes	923,351	73,315
<b>Cash and cash equivalents:</b>		
Cash and cash equivalents, at beginning of year	2,259,452	4,188,997
Increase/(Decrease) in net cash and cash equivalents	7,288,301	(1,929,545)
<b>Net cash and cash equivalents, at end of year</b>	<b>9,547,753</b>	<b>2,259,452</b>

**Consolidated Segmental Financial Information**  
**For the year ended December 31, 2008**  
(Expressed in thousands of Jamaica dollars)

**Primary Segments:**

	Individual Life Services	Employee Benefits Services	General Ins. Services	Banking and Asset Management Services	Other Services	Eliminations	December 2008 Group
Total Revenue	6,006,457	17,386,577	637,495	3,067,666	1,238,351	(77,611)	28,258,935
Amortization of intangibles	(4,667)	(95,900)	(17,935)	(147,183)	(17,133)	0	(282,818)
Benefits and expenses	(4,675,418)	(15,237,784)	(575,472)	(1,186,006)	(860,543)	170,574	(22,364,649)
Finance costs	0	(15,145)	(15,145)	0	(17,223)	18,323	(29,190)
Profit / (loss) before tax	1,326,372	2,037,748	28,943	1,734,477	343,452	111,286	5,582,278
Taxation	(258,526)	(222,720)	0	(453,897)	(104,884)	0	(1,040,027)
Profit / (loss) after taxation	1,067,846	1,815,028	28,943	1,280,580	238,568	111,286	4,542,251
Segment Assets -							
Intangible assets	1,255,499	1,702,637	420,425	1,895,574	49,533	0	5,323,668
Other assets	23,777,841	18,946,767	5,156,691	62,289,008	3,686,965	(2,234,925)	111,622,347
	25,033,340	20,649,404	5,577,116	64,184,582	3,736,498	(2,234,925)	116,946,015
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							636,485
Retirement benefit assets							206,190
Total Assets							117,791,415
Segment Liabilities							
Unallocated Liabilities -							
Deferred tax liabilities							418,647
Retirement benefit obligations							430,422
Business development loans							467,684
Total Liabilities							98,202,535

	Individual Life Services	Employee Benefits Services	General Ins. Services	Banking and Asset Management Services	Other Services	Eliminations	December 2007 Group
Total Revenue	5,541,075	7,663,897	513,357	2,561,346	845,677	(161,411)	16,963,941
Amortization of intangibles	(4,142)	(95,698)	(17,387)	(369,262)	(17,533)	0	(504,022)
Benefits and expenses	(4,210,296)	(6,116,554)	(445,794)	(854,416)	(633,323)	140,724	(12,119,659)
Finance costs	0	(15,632)	(15,633)	0	(17,156)	20,687	(27,734)
Profit / (loss) before tax	1,326,637	1,436,013	34,543	1,337,668	177,665	0	4,312,526
Taxation	(216,501)	(133,485)	0	(461,742)	(79,714)	0	(891,442)
Profit / (loss) after taxation	1,110,136	1,302,528	34,543	875,926	97,951	0	3,421,084
Segment Assets -							
Intangible assets	1,184,168	1,393,492	404,184	1,930,260	72,863	0	4,984,967
Other assets	17,729,875	13,342,351	3,331,836	48,941,111	82,989	(1,442,090)	81,986,072
	18,914,043	14,735,843	3,736,020	50,871,371	155,852	(1,442,090)	86,971,039
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							46,422
Retirement benefit assets							49,544
Total Assets							87,069,730
Segment Liabilities							
Unallocated Liabilities -							
Deferred tax liabilities							216,139
Retirement benefit obligations							308,447
Business development loans							411,061
Total Liabilities							67,165,752

**Secondary Segments:**

	Jamaica	Grand Cayman	December 2008	Jamaica	Grand Cayman	December 2007
Total Revenue	25,804,164	2,454,772	28,258,936	14,634,633	2,329,308	16,963,941
Total Assets	101,382,269	16,409,146	117,791,415	78,287,820	8,781,910	87,069,730



## Explanatory Notes

### 1. Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies as set out in note 2 of the December 31, 2008 audited financial statements. In addition,

- a) In October 2008, amendments in respect of the Reclassification of Financial Assets were issued to IAS 39 - Financial Instruments: Recognition and Measurement and to IFRS 7 Financial Instruments: Disclosures. The amendments allow reclassification of certain financial assets carried in the balance sheet from July 1, 2008 or thereafter. The Group has applied the amendment which allows certain available for sale financial investments to be reclassified as loans and receivables.
- b) In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the Group recorded an impairment charge on equity investments where there was a significant or prolonged decline in the fair value of the securities.